

Credit Insurance

What is Credit Insurance?

Credit insurance provides cover to protect your business against the risk of bad debt due to the insolvency or default of their buyers. This cover can be important for credit management within your business, and can also provide a replacement of working capital when bad debts and late payment impact on cash flow. In addition, credit insurers provide add-on value services such as credit assessment of your buyers. This insurance is available for domestic as well as for exports.

What does it cover?

Credit insurance provides protection to the business in the event that any of its debtors goes bankrupt. You can insure your business' turnover and even individual accounts, but it is unlikely you will be able to cover your entire turnover.

A credit insurance policy provides cover for goods sold and delivered or invoices raised for services rendered against the non-payment of debtors. Your debtors may be unable to pay due to their insolvency or default your payment because they just cannot pay or have gone away. Your business will also be protected from non-payment by debtors in the event of political disturbance that prevents payments being transferred to you in case of exports.

There are various types of credit insurance policy and few are briefed:

1. Whole Turnover Cover

This is the most common form of credit insurance, and it will cover your entire customer base.

2. Specific Account Cover

This provides cover against the failure of a single customer - normally this will be for the largest customer on your customer base. Cover is available on an annual basis, or for the duration of the contract.

3. Key Account Cover

This cover is to cover your business' largest customers specifically

4. Excess of Loss/Catastrophe Cover

This is specifically designed for medium and larger companies with a turnover in excess of Rs.100 crores who will cover a certain amount of bad debt themselves. This policy is triggered once that level has been exceeded.

5. Group and Global Cover

This is an all-encompassing product for group or multinational companies to cover all their subsidiaries or branches spread across the world.

What is the limit of Insurance Cover required for a business?

This will depend on the size of the business, what trade sector you operate in, and what proportion of your turnover you want to protect. Insurers will calculate your premium taking

into account the factors mentioned above and others such as the overall quality of your customers, your turn over, the geographical spread of your domestic & export sales, your previous bad debt loss history and the quality of your credit control procedures.

Public Liability Insurance

What is Public Liability Insurance?

Public Liability insurance provides cover against your legal liability to pay damages to members of the public for death, bodily injury or damage to their property which occurs as a result of your negligent business activities. It also covers legal fees, costs and expenses in connection with an accident.

Why Is Public Liability Insurance Needed?

Public Liability Insurance should be considered if members of the public, clients or customers have access to your premises. Even if you run any small business, and customers sometimes visit your premises, Public Liability Insurance might be a good idea.

Each year around the world billions of rupees are paid out in Public Liability Insurance claims, and thousands of small businesses go out of business due to not having adequate public liability cover in place. The reason for this is that people are becoming more aware of their right to seek compensation in the event of an accident.

If your small business does not have Public Liability Insurance in place and you get sued for compensation, then you will be liable to pay the full amount of the claim. If you are not able to cover the costs of the claim, then you may lose your business and potentially other assets including your home.

You may still need Public Liability Insurance if you work from home and your clients often visit you at your home office. In addition to this, many public bodies now require Public Liability cover to be in place before you can work for them or, indeed, you may not secure a contract with them without it.

What Does it cover?

Liability Insurance will cover you if someone is accidentally injured by you or your business operation. It will also cover you if you damage third-party property while on business. The cover should include any legal fees and expenses which result from any claim by a third party. This type of insurance will only covers third-party claims but not by your own employees' claim

What is the limit of Insurance Cover required for a business?

The amount of cover you need will depend on the nature and size of your business and the scope of your activities, but small businesses will need at least USD1.00 million of cover for worldwide including US and Canada and USD 0,50 million for Rest of the World. But for Indian market, one can choose any amount as it deem fit. This may sound a lot, but litigation rates are on the rise, and if you suddenly have several claims against you, the costs can mount up.

The premiums you will be quoted will depend on the type of business, your turnover, and the number of employees you have. It is worth reviewing your Public Liability policy regularly to ensure that any changes in your business are reflected in the cover you have. As your small business grows, it is quite possible that the risks you face increase as well.

Workmen Compensation / Employers Liability Insurance

What is Workmen compensation / Employers Liability Insurance?

Workmen Compensation / Employers Liability Insurance is required to be in place with all businesses as a statutory requirement where an employer is legally liable to pay compensation for injuries to their employees sustained while at work. In other words it helps employer's business to sustain without any financial burden on him

Why is Workmen Compensation / Employers Liability Insurance Needed?

Businesses have sustained substantial losses arising from their responsibilities in respect of the health and safety of their employees while they are at work. There is a chance that your employees may be injured at work, or that they, or your former employees, may become ill as a result of their work while in your employment.

As a result of this, your current or past employees might try to claim compensation from you if they believe you are responsible. In such circumstances, an Employers Liability Insurance policy will help to meet the costs of the claim for compensation.

Workmen Compensation / Employers Liability insurance is a legal requirement as a direct result of the Workmen Compensation Act 1923.

Who is a workman?

It is defined in the act that "workman" means any person who is employed otherwise than in clerical capacity in any premises wherein or within the precincts whereof a manufacturing process as defined in clause (k) of section 2 of the Factories Act 1948 (63 of 1948) is being carried on or in any kind of work whatsoever incident to or connected with any such manufacturing process or with the article made whether or not employment in any such work is within such premises or precincts and steam water or other mechanical power or electrical power is used;

Not a workman:

- a person whose employment is of a casual nature and who is employed otherwise than for the purposes of the employer's trade or business
- employed in clerical capacity
- who is a member of the Armed Forces of the union

Contractor's Workman

- principal is liable to pay compensation to workmen employed by the contractor for execution of the principal's work
- Principal is entitled to be indemnified by the contractor as per directions of the Commissioner

- Workman has a right to recover compensation from the contractor instead of the principal

What Does it cover?

A standard Workmen Compensation / Employers Liability insurance policy will cover you for claims made against you if an employee is killed, injured, or contracts an illness or disease whilst working for you in connection with your business. It also covers you for the costs and expenses incurred by the claimant as well as your legal costs. The policy provides cover as per the following

Table 'A' - Indemnity against legal liability to all employees (whether or not coming within the definition of the term Workmen) under the W.C.Act 1923 and subsequent amendment to the said Act prior to the date of issue of the policy, the Fatal Accidents Act, 1855 and at Common Law."

Table 'B' - Indemnity against legal liability under the Fatal Accidents Act, 1855 and Common Law. (Table 'B' policies may not be issued to cover employees who fall within the definition of "Workmen" under the Workmen's Compensation Act, 1923 as amended).

Does a Small Business Need Workmen Compensation / Employers Liability Insurance?

Yes. If you have your business based in India you are bound by the WC act 1923.

How much Workmen compensation / Employers Liability Cover will my Business Need?

You must calculate your total disbursement of wages by taking Rs.4000 pm/per employee as the minimum wages or the actual wages for the period of insurance required, say 3 months, or 4 months or more. (Wages x no.of emp x no.of months)This will take care of the statutory requirement.

Professional Indemnity Insurance

What is Professional Indemnity insurance?

Professional Indemnity insurance protects professional services businesses against their legal liability towards third parties for injury, loss, or damage arising from their professional negligence or that of their employees.

Why is Professional Indemnity Insurance Needed?

Professional Indemnity cover protects you and your small business from financially crippling and often reputation-damaging claims by dissatisfied clients. Even the most respectable companies can find themselves in dispute with a client over a mistake. Below are some of the danger areas you or your business could be exposed to:

- Negligence - a breach of duty of care

- Intellectual property - where you unintentionally infringe on someone's copyrights, trademarks, broadcasting rights, or you may inadvertently pass your business off
- Loss of documents or data - damaged, lost or stolen data and documents belonging to your clients
- Dishonesty - liability arising from the theft of your clients' money

What does it cover?

Professional Indemnity insurance works in a number of ways. It will cover you if you make a mistake in the professional services you have provided should this lead to a dispute with a client. If the dispute becomes complicated, your insurer can defend your claim - right through to the Supreme Court, if necessary and agreed. Even if you lose, the policy will still cover you for any damages you then become liable for, subject to the level of cover your business is insured for.

Professional Indemnity insurance will also cover the cost of fixing any mistake on your part, which will potentially help you avoid a larger claim. You are also protected by your Professional Indemnity insurance policy if you lose or damage any clients' documents or if one of your employees is involved in the theft of a client's money.

It is of critical importance that you maintain continuous Professional Indemnity insurance if this is a coverage you need, as the indemnity is on a 'claims made' basis and any gaps in time could result in an exposure.

What are 'Any One Claim' and 'Aggregate' or 'Any One Accident' (AOA) and 'Any One Year' (AOY) policies?

'Any One Claim' or 'AOA' is a limit applies to every claim that happens during the policy year. So, if you select Rs.10,00,000 of cover as Any One Claim or AOA, any claim in excess of Rs.10,00,000 would not be paid and the liability of the insurer (ie your claim) is limited to Rs.10,00,000 or paid in full if your claim is less than the Any One Claim or AOA limit.

'Aggregate' or 'AOY' is an annual limit will only cover the cost of claims up to the cover limit you have selected. Each claim you have in the year effectively reduces the amount of cover you have left in your policy for any subsequent claims. So, if you have Rs.10,00,000 of cover and a claim for Rs. 400,000, you would have Rs.600,000 of cover left in the policy year. In case you have a single claim in excess of Rs.10,00,000, the entire amount would be paid for that claim and the policy ceases to exist.

What does 'Costs Included' or 'Costs Excluded' mean?

With any claim there are various legal costs, such as the costs of legal investigation and defence, loss adjusters, experts, court costs and claims settlement. These costs are normally covered by Professional Indemnity policies, but the way these costs are covered by the policy may vary. Some PI policies include the payment of these costs within the cover limit of the policy (known as the 'limit of indemnity'), in which case there is effectively less cover for paying damages ('Costs Included'). Other policies cover these costs under a separate part of the policy, ensuring the maximum amount is available for paying damages ('Costs Excluded').

What is Retroactive Cover or Retroactive date?

Retroactive cover or Retroactive date extends the protection of your PI policy (backwards) to cover the work you did prior to the time you bought your policy.

How much Professional Indemnity Cover will my Business Need?

The amount of cover your small business needs depends entirely on the type of services it provides, so there is no general rule of thumb for how much cover your business will need. You know your business best and the sort of exposure it faces.

When deciding on the amount of Professional Indemnity cover to have you should consider the value of the work you are doing for your clients and the potential financial impact on them should it go wrong. Other than that, it's advisable to buy as much cover as you can afford.

Sometimes your client will set a minimum limit of the indemnity they require before you can work with them. This can depend on the specific nature of the services you've been contracted to provide, or they could have a set limit for all their service providers. Many government departments and major contracts, for example, will require their contractors and consultants to have at least Rs.10.00 million of cover.

It is also worth considering taking retroactive cover for work that you've already completed before the policy commences. This means that your Professional Indemnity insurance policy will cover you for any claims arising out of work you completed in the past. You will be given the option of taking out retroactive cover when you get your professional indemnity insurance quote.

Shopkeepers Insurance

What is Shopkeepers Insurance?

Sometimes called 'business insurance package', a shopkeepers insurance package brings together the different kinds of insurance cover that you might need as a shopkeeper in one policy. Typically, this package covers stocks and other contents against fire and special perils, burglary and housebreaking, cash and good in transit, break down of office equipments and appliances, dishonesty of employees, breakage of glass panels and sign boards, workmen compensation and public liability etc.

What does it cover?

Shopkeepers Insurance covers all types of risks, the establishment is exposed to. It covers the business owners' movable and immovable properties as well as provides cover to his financial needs. Whether it is loss of cash in transit or in the premises or any of acts of dishonesty by his employee or his business income loss, all are protected under the package policy. The cost of insurance is normally very economical compared to individual policy

Why is shopkeepers Insurance needed?

As a shopkeeper it makes sense to protect your business and your customers from mishaps, accidents and failed equipment, products or services. Mistakes do happen and they can be

extremely costly. An electrical fire in the premises or flooded as sewage water entered the premises or cash is lost whilst brought from the bank or your employee embezzled cash or kind or an employee is fatally injured could cause serious financial injury to the shopkeeper?

Does a Small Business Need this Insurance?

Most small businesses and sole traders are hugely vulnerable to unforeseen accidents and mishaps. Shopkeepers insurance will ensure that you are covered and may also help you to get a better sleep each night. Shopkeepers insurance is also called 'business insurance package' and ideal for sole traders and small businesses.

Product Liability Insurance

Why is Product Liability Insurance Needed?

If you are involved in producing a product then you should consider having insurance to cover any serious defects that might emerge. We live in a very litigious society, and failure to take this precaution could see your business facing a claim for significant damages on its own.

If you make, repair or sell products, you could be held legally liable for damage or injury arising from defects in their design or manufacture even if you have not been negligent. Product Liability insurance covers you in these circumstances up to a maximum amount each year. In addition to the above, and despite the fact that Product Liability insurance is not compulsory in most industries, government or other types of contracts may insist you have it.

What does it cover?

Product Liability insurance covers you against claims by people (other than employees) for bodily injury and damage to their property caused by products manufactured, supplied or repaired by your business. For example, a motor manufacturer will be held liable if a faulty braking design leads to motor accidents.

Even where your business is not negligent, it may still be held liable for damages and injuries suffered as a result of using its products. A Product Liability policy will normally cover you for claims made regarding safety or manufacturing quality or quality of service, spoilage, and indemnity costs, which include things like medical bills.

How Much Product Liability cover will My Business Need?

This is a fairly specialist area of the insurance market, and it can be expensive, but the costs of defending your company in court will almost certainly be greater. In the event of a case going against you, the damages could run into millions. Precisely how much you should cover your business for is up to you.

What are other informations I need to know?

It is important to remember that Product Liability is not designed to cover you if you simply make an inferior product or supply bad services. You will not be able to claim for this. Similarly, having this insurance does not relieve you from the responsibility of taking statutory due care in

your business operations, and your insurer may require you to observe certain standards such as the use of trained staff and proper equipment and so on.

Fidelity Guarantee or Crime Insurance

Why is Fidelity Guarantee or Crime Insurance Needed?

Fidelity Guarantee insurance (also referred to as Crime insurance) covers you against loss of money or stock as a result of theft or dishonesty by your employees. Fraud and embezzlement in the workplace is on the rise, occurring in even the best work environments. Research conducted reveals that:

- One in four employees has either committed or witnessed workplace fraud and abuse and 80% of workplace crime is carried out by employees
- One in four employees committing fraud against their employer has been with the company for more than 10 years and only one in three of those who have witnessed a workplace crime bother to report it

Because crime-related losses are not covered by property insurance policies, hence Fidelity Guarantee insurance is a necessary piece of cover for many small businesses.

What does it cover?

Fidelity Guarantee insurance is a means for the small business owner to insure the assets of the business from the dishonest acts of others. The cover provided by a Fidelity Guarantee insurance policy normally includes the loss of property due to theft, embezzlement, forgery and computer crimes.

Generally, the policy will cover the loss of property while it's on the business' premises, in transit, or otherwise temporarily in another location. Policies tend to differ in the cover provided because employee dishonesty can take many forms, so you should take time to check the details of the policy you are looking to buy to determine the scope of any exclusions.

How much Fidelity Guarantee or Crime Insurance Will my Business Need?

You will need to take account of several factors when considering the amount of Fidelity cover your business requires, the physical value to the business of stock, materials or money at risk, the number of employees with access to the above, the likelihood of employees engaging in dishonest acts, the measures your business has in place to prevent employee theft and dishonesty.

Key Man Insurance

Why is Key Man Insurance Needed?

Key Man insurance protects your business against the loss of income resulting from the disability or death of a person in a key position. Key staff are at the heart of every business. The extended absence through serious illness or even death of one or more of these individuals can

be terminal for the business. The risks are the same for limited companies, partnerships and sole traders.

Should one of your key staff suffer premature death, this may well cause an immediate need for a cash injection for the business. This money may be required to cover the immediate loss of turnover that may occur due to the sudden absence of the key person, or to cover the costs of finding a replacement and the cost of training them.

There would still be a need for the cash injection if the key person suffered a critical illness such as a heart attack, cancer or a stroke. This may not result in their death but inevitably will mean a lengthy period of absence, if indeed they returned at all.

Key Man insurance can be taken out to provide this much-needed cash injection for these types of circumstances.

What does it cover?

Key Man Insurance is designed to financially protect your business from the effects of prolonged illness or even death of staff who are central to the prosperity of the business. The insurance can't replace people but it can provide cash to buy time and cover the costs of temporary staff, recruitment, or loss of profits, or to provide a cash injection. Key man insurance provides coverage:

1. to help your business recover during the extended period when your key personnel are unable to work or to train or recruit a replacement
2. to protect business profits
3. to protect shareholders or partnership interests
4. anyone involved in guaranteeing businesses loans or banking facilities

How much Key Man Insurance Cover Will my Business Need?

You will need to make a judgement on who your key people are and what impact their temporary or permanent absence would have on your business. You need to bear in mind not only the impact on your business' turnover but also the cost to recruit a replacement and how much would it cost and how long would it take to be as productive as their predecessor.

Directors and Officers Insurance (D & O)

Why is Directors' and Officers' Insurance Needed?

Company directors and officers are exposed to statutory liability under Companies Act. This means that they can face unlimited personal liability for their actions and decisions on behalf of the company. Directors and Officers insurance provides cover for compensation and legal costs if they are found to have inadvertently acted outside their terms of reference.

What does it cover?

The company can buy Directors and Officers (D&O) cover to protect the personal assets of directors and executive officers and to meet their legal costs. The policy will reimburse the individual for personal liability arising out of what is known as a 'wrongful act'. Alternatively, the policy can compensate the company itself where it has reimbursed a director or officer for a personal liability arising out of a 'wrongful act'. The policy usually does not cover pension trustee liability, fraud and dishonest acts, and Employers Liability.

Cover can vary between insurers but a typical D&O policy will provide cover for:

1. damages and/or settlements as well as costs, charges and expenses following:
2. an actual or alleged act or omission by directors and officers in the discharge of their duties
3. an actual or alleged act or omission by a director or officer who has been assisting an outside company at the request of the insured
4. investigation costs which result from any formal, regulatory, administrative, criminal or investigative inquiry
5. pollution defence costs on behalf of directors and officers
6. loss of documents to specific limits

How much D&O cover Will my Business Need?

The cost of premiums depends on many variables, such as business activity, financial strength, number of staff, turnover and so on. Most small companies buy between USD.1m as the standard cover, but you should buy as much cover as you can afford.

Business Interruption Insurance (also called Business Income Insurance)

Why is Business Interruption Insurance Needed?

Even minor damage to your property could seriously disrupt your business, leading to loss of income and extra expenses. Business Interruption insurance will compensate for the shortfall in gross profit together with paying any increased working costs and extra accountants' fees incurred.

What does it cover?

If an organization has to shut down temporarily due to a disaster, Business Interruption insurance will cover income that would have otherwise been generated, using the financial records of the company, had they not had to close down. This will also cover operating expenses, such as utilities, while the doors are closed.

No Business Interruption insurance policy is going to provide your company with compensation over a long period. Most policies only cover for one month to few months at the most. The idea

is that you are being covered for an interruption - not simply for lack of business due to the prevailing economic circumstances.

Specifically, a Business Interruption policy will cover you for losses due to a sudden and unforeseen loss occurred in the premises covered by the material damages policy. Unlike other forms of insurance (e.g. Fire and Theft), with Business Interruption insurance you are not insuring actual goods. Consequently you will need to have a very good idea of how much your business earns to assess accurately the amount of your potential business losses.

How much Business Interruption Cover Will my Business Need?

The sum you insure for should be sufficient to cover gross profits over the term of the policy, and should make allowances for profits growth, as well as likely increases in overheads and restart-up costs. When arranging this insurance you will need to estimate the maximum time needed to get your business working normally following the most serious damage. The insurers will ask for an estimate of your anticipated gross profit. If an auditor later certifies an actual figure materially lower than this estimate, a return of premium is normally given. The term of the cover should reflect the time it is likely to take to get the business up and running again.

Goods in Transit Insurance

Why is Goods in Transit Insurance Needed?

Goods in Transit insurance covers goods against loss or damage while in your vehicle or when sent by a road/rail carrier. The unexpected loss of your goods could cause substantial disruption and financial hardship for your business.

What does it cover?

Goods in Transit policy will protect you from damages and losses arising during the transit either caused by road / rail accidents under Basic cover insurance or by any means under an All Risks Insurance. As with some other forms of insurance, you will need to work out how much the goods are valued at. If the goods are new then this shouldn't be too difficult. Remember, though, that this type of insurance does not protect you if you find the goods you have ordered or dispatched are inferior, below standard, or damaged through inappropriate packaging.

How much Goods in Transit Cover Will my Business Need?

You should ensure all the goods you regularly transport are covered by your policy. Make sure that you understand the cost of replacing those goods as well as the potential financial impact of losing them when selecting the level of cover that you require. If your annual cost of insurance could be reduced by selecting high deductible and the cost of small losses are met by the premium savings, the insurance can be designed accordingly.

How many types of Goods in Transit Cover are available?

1. Specific voyage/Transit cover

2. Open Goods in Transit insurance
3. Sales Turn Over Policy
4. Annual Turn Over Policy.

You should understand different type of insurance from your broker and choose the right one to have the total protection.

Money Insurance

Why is Money Insurance Needed?

Money insurance provides "all risks" cover for cash, cheques, postage stamps and other negotiable documents. Personal assault cover may be included, which will provide compensation for you or your employees following injury during theft or attempted theft of money.

What does it cover?

Money Insurance provides cover for money when carried by you or your employees, between your premise and the bank and viceversa, or from any collections point to the premises and vice versa and money kept in the night safe on the premises or out side the premises after business hours. Personal Accident cover is also provided for those carrying the money and this also includes damage to clothing, damage to safes and stamp franking machines. The policy terms will depend on the nature of the business and its exposure and may stipulate banking and security procedures.

How much Money Insurance Will my Business Need?

Again, as with other types of insurance policy, you will need to work out the value of all the cash, cheques, postage stamps and other negotiable documents, and ensure these values are covered by your policy. Premiums will vary depending on how much money is kept on the premises in and out of business hours, in safes, at the homes of directors or employees, and in transit. There may be requirements in the policy relating to safe keys and the method of transit.

Overseas Travel Insurance

What does Overseas Travel insurance do?

If you or your employees travel abroad, you should ensure they are covered by Overseas Travel insurance and that the policy covers their country of destination and any other countries they may pass through en route. Make sure the cover extends to equipment, computers and money, if necessary and agreed by the insurer.

Why is Overseas Travel Insurance Needed?

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Every overseas traveler is aware that expenses incurred in connection with sickness and injury may cost them too much, Many businesses are that Business Travel insurance is not just for their employees who travel abroad; those that host occasions such as team-building events, training courses or product launches can use this type of insurance to cover themselves for a range of eventualities such as sudden sickness or loss of passport or even any personal liability etc.

What does it Cover?

The policy can be bought on a single trip basis or as an annual multi-trip policy. The former is useful for those who travel infrequently and is generally very cheap. The latter, is designed for those who travel a great deal and works out as a more economical method than buying a separate policy for each trip. Business travel insurance policies will provide cover for personal accident, cancellation and curtailment, medical expenses, personal baggage and legal expenses to varying limits.

How Much Overseas Travel Insurance Cover I Need?

Insurance for medical expenses covers you against the cost of treatment while your employee is traveling abroad. This is probably one of the most important aspects of cover, as being involved in accidents or suffering illness while traveling abroad is a frequent occurrence and the costs associated with treating and repatriating one can be substantial and the level of insurance must be need based.

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